

City of San José Medical RFP 2019

History/Background

- The collective objective is to offer attractive benefits to employees that includes maintaining sustainable health plan options that provide employees and retirees choice and flexibility.
- To achieve this goal, both now and into the future, it is imperative we offer products that will help to create a more balanced enrollment between health plans and this is more easily achieved by maintaining two carrier options.
- To improve enrollment in the non-Kaiser plan options, the City and all bargaining units agreed, effective 1/1/2019 to change the cost sharing structure strategy for all active employees to offer a higher City contribution towards the lowest cost non-deductible HMO option with the second highest employee enrollment.
 - This resulted in an increased enrollment in the non-Kaiser plans (Kaiser enrollment decreased from 84% to 80%).
 - This also resulted in a favorable response from the carrier marketplace for the City's Medical Plan Request for Proposal (RFP) which was conducted with a subset of the Benefits Review Forum in early 2019.

Issues with Current Employee Benefit Options

- Sutter Health Plus
 - Service Area is limited:
 - Small zip code list— some early retirees living in San José are not in a Sutter service area and have to choose the PPO plan or a Kaiser plan.
 - Geographic area is Northern CA only – so retirees moving out of area have to choose the PPO plan or a Kaiser plan if living in their service area.
 - No Medicare options for over-65 Retirees.
 - Not all local hospitals are in the network, and no hospitals in San José, including no Good Samaritan Hospital.
 - Planned expansion by Sutter is slower than expected due to healthcare regulations.
 - Did not offer a PPO plan in the past nor via this recent RFP.
- Blue Shield PPO
 - Plan is self-funded as it was the only way to maintain a PPO plan after the last RFP.
 - Due to declining enrollment and higher than anticipated claims, rates have sky-rocketed (30% increase for 2019 and an additional 30% anticipated for 2020).
 - City has covered losses in this plan of over \$4 million and cannot continue to subsidize.
 - For employees/early retirees for whom Kaiser is not an option and who are not in Sutter service area this is currently their only choice.

RFP Goals

1. Obtain cost-effective and sustainable healthcare options for current/future employees and retirees.
2. Improve service area coverage.
3. Aim for two carrier options to maintain more balanced enrollment and ensure choice in the future.
4. Discontinue self-funding of the current Blue Shield PPO.

RFP Results

- Representatives from the Human Resources, Retirement Services, the Police and Fire Unions, Non-Management Unions, Management Unions and the Retiree Associations participated in the RFP process.
- The committee reviewed proposals and interviewed Kaiser, Anthem, Blue Shield, UnitedHealthcare and Sutter Health Plus. All qualified bidders participated in Finalist interviews the week of April 15, 2019.
- After an in-depth review of proposals from Kaiser, Anthem, UnitedHealthcare, Blue Shield and Sutter Health Plus, the committee recommended to continue with the current Kaiser offerings and selected Anthem Blue Cross to replace Sutter and Blue Shield for the following reasons:

Choice – Anthem offers a suite of products all under one carrier – this is beneficial to the City for long term sustainability of medical plan options

Cost – Anthem’s cost proposal was competitive and provides employees and retirees with choice and flexibility through several plan options

Network – Anthem has one of the largest national networks in the country, so employees and retirees will have more choice with Anthem, especially retirees who live out of the area.

- Anthem’s “Classic” network is their largest network of providers and facilities and includes Sutter doctors In-Network. If you would like to see a Sutter doctor in-network, you must choose one of the Classic PPO plans. The Classic network includes Good Samaritan Hospital, and Santa Clara County Individual Practice Association (SCCIPA), among other preferred providers. Two Classic PPO plans will be offered:
 - \$100 Deductible Classic PPO
 - \$2500 Deductible Classic PPO w/HSA
- Anthem’s “Select” network is a narrow network of medical groups, hospitals and doctors within 22 key counties statewide and members have access to over 27,000 **California** Select HMO doctors and specilaists, more than 390 hospitals including Good Samaritan, and Santa Clara County Individual Practice Association (SCCIPA).

- For the Select HMO plans, Sutter doctors are not included in the network. Two Select HMO plans will be offered:
 - \$20 Copay Select HMO
 - \$1500 Deductible Select HMO
- For the Select PPO plan, Sutter doctors are not included In-Network; however, they are available Out of Network. One Select PPO plan will be offered:
 - \$100 Deductible Select PPO

Offering Anthem's "Select" network alongside Kaiser will provide the best opportunity to create a more balanced enrollment profile, and therefore, the best opportunity to achieve our collective objectives.

City Council authorized the City Manager to execute an Agreement with Anthem Blue Cross to provide medical insurance plans and support services to the City for employees, retirees, and dependents on June 25, 2019.